

**MINUTES
CITY OF ST. CHARLES, IL
GOVERNMENT OPERATIONS COMMITTEE
MONDAY, OCTOBER 16, 2017**

1. Call to Order

The meeting was convened by Chairman Bancroft at 7:30 pm.

2. Roll Call

Members Present: Chairman Bancroft, Ald. Stellato, Silkaitis, Payleitner, Lemke, Gaugel, Vitek, Bessner, Lewis

Absent: None

3. Omnibus Vote

a. Budget Revisions – September, 2017

Motion by Ald. Turner, second by Bessner to approve the omnibus item as presented.

Voice Vote: Ayes: Unanimous; Nays: None. Chrmn. Bancroft did not vote as Chair.

Motion Carried.

4. Police Department

a. Recommendation to approve a proposal for a new Class A6 Liquor License for Krish Ria Convenience, Inc., dba BP St. Charles, located at 1660 W. Main Street, St. Charles.

Chief Keegan: Pragnesh Shah is the owner of the BP located at 1660 W Main Street. This appeared earlier at the Liquor Control Commission and advanced forward with a 2 – 1 recommendation. This gas station is seeking an A6 license. The store and Mr. Shah's background was checked and we found nothing of a derogatory nature. Mr. Shah's Bassett and Dram Shop Insurance are in order.

Pragnesh Shah: 1660 W Main Street.

Motion by Stellato, second by Turner to recommend approval a proposal for a new Class A6 Liquor License for Krish Ria Convenience, Inc., dba BP St. Charles, located at 1660 W. Main Street, St. Charles.

Roll Call: Ayes: Stellato, Lemke, Gaugel, Vitek, Bessner; Nays: Silkaitis, Payleitner, Lewis Chrmn. Bancroft did not vote as Chair. **Motion Carried.**

5. Finance Department

a. Recommendation to Accept the Comprehensive Annual Financial Report, Independent Auditor's Report Pursuant To Uniform Guidance, and Management Letter for the Fiscal Year Ended April 30, 2017.

Chris Minick: As the Committee is aware, state statutes require the City to have an annual audit of its financial statements. The City has contracted with Sikich, LLP, Naperville, IL to perform this function on our behalf every year. The fiscal year ended April 30, 2017. The audit field work was conducted in July and August the reports have subsequently been issued. Fred Lantz and Jason Askin, from Sikich, LLP, will be discussing the results.

Fred Lantz: I would like to present the information as the result of our audit for the City as for your fiscal year ended April 30, 2017. As a result of the audit we have issued nine reports which are before you for your approval this evening.

I'd like to first review the Comprehensive Annual Financial Report (CAFR) that we've submitted to you for your review and approval this evening. I'll try to make note of the page numbers for those of you following along. The City has received the Certificate of Achievement for Financial Reporting for a number of years consecutively. This certificate of achievement is not a barometer of financial health, this isn't given out to Cities, municipalities, or governments that are in good financial condition, although the City certainly is, instead this is a barometer of transparency, and accountability in terms of fully and fairly disclosing your financial position. We congratulate you.

I'd like to turn your attention to page III, of the document. This is the Letter of Transmittal which introduced the reader to the report. Please look behind the Financial Section tab to page number 1 of the report. This report is getting to be over 200 pages long, and we're responsible for three pages in this report. Everything else is the responsibility of the City, and the City Staff and Management does a very good job in maintaining the controls over the environment for preparing this report, and with the preparation of the report.

Please note on page 1 of the Independent Auditor's Report that management is responsible for the financial statements and for setting the policies and procedures necessary for preparing those financial statements. Our responsibilities as auditors is to issue an opinion on the financial statements and whether or not they present fairly the accepted accounting principles and if the City has complied with all that could have an impact on the financial statements.

Page 2 - Our opinion, we're pleased to present the Chair and the members of the committee a clean unmodified opinion of the City's financial statements. Please note we are prohibited from issuing an opinion on required supplementary information, although we do review it very closely with city staff. We are prohibited from issuing an opinion on the introductory section or the fiscal section of the report.

Page 4 – Management’s Discussion and Analysis – This has a presentation of this year’s financial information and the prior year financial information, what transpired between the two years and what caused some of the numbers to change. This information should be shared with anyone interested in the overall finances of the City. It’s very useful information.

Page 18 – Statement of Net Position – Consolidated financial statement for the City as a whole to present a long term perspective on how the City is financed overall. Inter-fund activity and inter-fund transactions have been eliminated from the total column. The City ended the year with total assets of a little more than \$420M, differed outflow of over \$437M, liabilities owed at the end of the year of \$207M, differed outflow of resources \$17M, total liabilities differed outflow of \$224M. That provided a net position of equity of a little over \$212M. The remainder of the net position we check dated in two components. Restricted net position, funds that are set aside that someone outside the City tells you what to spend it on. Unrestricted net position is what the City has more control over. The City reported an unrestricted net position deficit of about \$26M in government activities and a positive unrestricted net position of about \$15M in business type activities. For the first time in the history of the City you are required to report your net pension liabilities for the three primary pension plans the City participates in, the Illinois Municipal Retirement Fund, the Police Pension Fund and the Firefighters Pension Fund resulted in that figure going into deficit. The rating agencies, as we noted at the beginning of the meeting, won’t downgrade you for having that deficit position. Failure to address that deficit over time is when the rating agencies will take notice.

Page 19 - Statement of Activities – What is the total cost of providing services to the constituents of St. Charles, this last year it was a little over \$120M, \$49M of that was for your government activities, the remainder about \$70.4M was from your business type activities, the lion share being the electric fund. The city is economically better off to the tune of \$5,885,000.00 for the year end April 30, 2017. The majority of that came from the business type activities with increase of about \$8.6M, the government activities reported about \$2.7M.

Page 22 – Fund Balance General Fund – As of April 30, 2017 you did report a healthy fund balance in the general fund, just shy of \$28M. After taking into account transfers out, the balance is about 44.4% of the expenditures and transfers; a little bit above your fund balance target, but a good healthy fund balance for the City to have.

Page 55 – Advance Refunding - They had an economic gain of about \$1.65M. Very good cash flow savings for the City. In addition you refunded the senior lien limited sales tax revenue bonds, achieved a cash flow savings of about \$812,000, and an economic gain of \$682,000. Congratulations on having a very good refund.

Page 58 – There is a disclosure about the advances we talked about. I wanted to bring this to your attention and let you know you have some flexibility with those advances, and you need to monitor those advances on a regular basis. That is one thing the rating agencies look a bit negatively on.

Page 94 – Required Supplementary Information – This is where we see some trend information for the pension funds. Each year we build information until you see 10 years of information in this document. IMRF measures the net pension liability and the total pension liability as of December 31, 2017. The new funded ratio is very good. The Police pension fund had a very good year for investment, much better than last year. There was a good positive change.

Page 97 – Firefighters Pension Fund – This fund also had a pretty good year from an investment standpoint, much better than last year.

Ald. Lemke: Do you have any material or immaterial recommendations?

Mr. Lantz: We have no material recommendations. If you look at the auditor's recommendations we do have 1 or 2 minor recommendations specifically related to accounting for payroll at the end of the year and capital assets at the end of the year.

Ald. Turner: Chris do we have a plan in place to address the pensions, and increase them?

Chris: We've been making the required contributions and are going to talk about a few changes in some of the actuarial assumptions to reflect recent market conditions. Both the Police Pension Board and the Fire Pension Board will be talking about those probably in March, 2018. We may see some being built into the 2018 tax levy.

Moved by Ald. Turner, Second by Lemke to Recommendation to Accept the Comprehensive Annual Financial Report, Independent Auditor's Report Pursuant To Uniform Guidance, and Management Letter for the Fiscal Year Ended April 30, 2017.

Voice Vote: Ayes: Unanimous; Nays: None. Chrmn. Bancroft did not vote as Chair.

Motion Carried.

b. Recommendation to approve a motion approving the preliminary estimate of the 2017 Property Tax Levy in the amount of \$19,500,804.

Chris: Statutes require the City to devise a preliminary estimate of the upcoming tax levy as part of the tax levy process each year. The 2017 property tax levy will be collected by the City during calendar year 2018. We're expecting a levy of about \$19.5M consisting of an operating levy of \$12,055,117 and a debt service levy of approximately \$7.4M. Traditionally we have abated the debt service levy from the tax bills of our residents leaving simply the City's tax levy at \$12,055,117 each year. The proposed tax levy does represent about a 3% decline from the anticipated levy from 2016. We are projecting that we will see another increase of 3% – 3.5% in the EAV or the taxable value of the property contained within the city limits. Approval of this particular estimate does not lock us in to any particular tax levy, we are free to amend the tax levy amount all the way up to finalization.

Staff is recommending the preliminary estimate of the 2017 Property Tax Levy in the amount

of \$19,500,804. We will have a more detailed presentation at the public hearing on December 4, 2018.

Ald. Turner: Is there a possibility that the tax rate will be lower?

Chris: Yes. If we keep the tax the same, this would be the 9th year keeping it the same, and if we do see that 3% increase in the EAV we'd see a corresponding decline in the rate that would take it from 0.87 to about 0.85.

Motion by Ald. Lemke, second by Turner to approve the Preliminary Estimate of the 2017 Property Tax Levy in the amount of \$19,500,804.

Voice Vote: Ayes: Unanimous; Nays: None. Chrmn. Bancroft did not vote as Chair. **Motion Carried.**

6. Executive Session

- Personnel – 5 ILCS 120/2(c)(1)
- Pending Litigation – 5 ILCS 120/2(c)(11)
- Probable or Imminent Litigation – 5 ILCS 120/2(c)(11)
- Property Acquisition – 5 ILCS 120/2(c)(5)
- Collective Bargaining – 5 ILCS 120/2(c)(2)
- Review of Executive Session Minutes – 5 ILCS 120/2(c)(21)

Motion by Ald. Turner, second by Bessner to return from executive session.

Voice Vote: Ayes: Unanimous; Nays: None. Chrmn. Bancroft did not vote as Chair. **Motion Carried.**

7. Additional Items from Mayor, Council, Staff, or Citizens.

8. Adjournment

Motion by Ald. Lemke, second by Turner to adjourn the meeting at 8:27 pm.

Voice Vote: Ayes: Unanimous; Nays: None. Chair Bancroft did not vote as Chair. **Motion Carried.**

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